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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

NSDD on International Financial Policy

FROM:	EXTENSION	NO.
Maurice C. Ernst NIO for Economics		DATE 10 March 1983

25X1

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. C/NIC			ASR	
2.				
3. ~~DSC~~ DCI ~~DDCI~~	11 March	11 MAR 1983	WJC	3. For information
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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

NIC #1895-83
10 March 1983

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence
Deputy Director for Intelligence

THROUGH: Chairman, National Intelligence Council

INFORMATION: D/EURA
D/OALA
D/OCPAS
D/OEA
D/OGI
D/NESA
D/OSWR
D/SOVA

FROM: Maurice C. Ernst,
NIO for Economics

SUBJECT: NSDD on International Financial Policy

1. At the SIG-IEP meeting on 10 March, Secretary Regan announced that an NSDD will be prepared on international financial policy. Policy options and recommendations are to be provided to the NSC by April 15th to pass on to the President.

2. The study supporting the NSDD will cover such topics as the nature and dimensions of the international financial problem and its implications for the US and world economies and for US political and national security interests. The study will be reviewed by an interagency group whose principal members will be Treasury, State, Commerce, CIA, CEA, and NSC. Other agencies will be involved at least in aspects of the project. The interagency group will report to the SIG-IEP.

3. Treasury apparently intends to use the interagency review already in progress of (1) the possible financial policy options which go beyond the present Treasury Department strategy; and (2) the implications for US trade policy. Apparently an additional working group to examine political and national security implications, probably chaired by State, will be formed, with a strong CIA input expected.

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4. The principal CIA contribution to this process will be the study nearing completion in OGI on the implications of and obstacles to implementation of the IMF-sponsored stabilization and funding program which now constitute the fundamental element of the US strategy. This study should be helpful in assessing how serious are the risks that the current administration strategy will not work, and would be at least the first step in determining whether or not more radical alternatives should be seriously considered.

5. CIA also needs to do its best in estimating the possible political fallout of the severe economic adjustments required by debt problems in some key LDCs, notably Mexico, Brazil, Argentina, Nigeria, and a few other countries. The questions that need to be considered include:

- o The degree of effective political resistance to economic adjustment;
- o The domestic political impact if severe adjustments do occur;
- o The possible implications of political changes and reactions in the debtor countries for US foreign policy interests;
- o The possibilities of unilateral or concerted action by debtor countries to force a substantial easing in the terms of repayment.

To some extent these topics have been treated in the OGI paper mentioned above. Additional work may be necessary.

6. To be useful to the NSDD, any CIA contribution must be completed by 31 March.

ILLEGIB

Maurice C. Ernst

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